



**SaskWater**



## SASKATCHEWAN WATER CORPORATION

First Quarter Report  
June 30, 2020



# CORPORATE PROFILE

SaskWater is committed to providing the highest level of service to its customers.

That promise is reflected in the corporation's vision, mission and values.

## Vision

- We are the best at connecting water for life and growth, partnering for a better tomorrow.

## Mission

- To provide safe, reliable and sustainable water and wastewater services for Saskatchewan.

## Values

- INTEGRITY - We act ethically with respect, honesty, courtesy and fairness.
- PROFESSIONALISM - We provide quality, expertise and excellence in the delivery of our services, and we are accountable for our actions.
- TEAMWORK - We promote cooperation and commitment to achieve our common goals.
- SAFETY - We are committed to safety in all aspects of our operations.
- INNOVATION - We pursue continuous improvement and innovative solutions.
- ENVIRONMENT - We respect and support the environment and communities where we live and work.

## About SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

SaskWater provides professional water and wastewater services to 66 communities, 10 rural municipalities, 79 rural pipeline groups, 17 industrial and 243 commercial and end user customers.

SaskWater serves approximately 107,000 people in Saskatchewan.

The corporation owns 10 water treatment plants, three wastewater facilities, 140 kilometres of canal and 942 kilometres of pipeline. SaskWater also owns or leases 43 booster and pump stations.

SaskWater also maintains customer-owned systems and provides operator training to 29 Saskatchewan First Nations communities.





## FINANCIAL & OPERATING HIGHLIGHTS

	Three Months Ended June 30	
	2020	2019
<b>FINANCIAL HIGHLIGHTS (\$ thousands):</b>		
Total revenue	\$ 16,259	\$ 16,639
Total expenses	12,588	12,716
Operating income	3,671	3,923
Net finance income (expense)	(576)	(552)
Net income	\$ 3,095	\$ 3,371
Other comprehensive income	468	350
Total comprehensive income	\$ 3,563	\$ 3,721
Dividends	\$ 1,163	\$ 836
Debt Ratio	49.5 %	47.0 %
<b>OPERATING HIGHLIGHTS (cubic meters):</b>		
Non-potable water distributed	8,831,237	10,989,642
Potable water distributed	2,201,735	2,213,992

# MANAGEMENT DISCUSSION & ANALYSIS

## Introduction

Management's Discussion and Analysis (MD&A) highlights the primary factors that affected the financial results and operations of SaskWater for the three months ended June 30, 2020.

The MD&A should be read in conjunction with the unaudited condensed financial statements which have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS).

The SaskWater Board of Directors approved these interim financial statements at their meeting on August 25, 2020.

For additional information refer to SaskWater's 2019-20 Annual Report.

## Background

SaskWater's four measurable strategic objectives to guide the corporation are: Customer Driven, Pursuing Excellence, Valuing Employees and Succeeding Financially.

SaskWater employs provincially certified operators supported by a team of highly qualified technicians, technologists and professional engineers. In addition to operating its own systems, the company also provides certified operation and maintenance for water and wastewater systems.

SaskWater owns 10 water treatment plants, five serving regional customers and five as stand-alone systems. In addition, SaskWater

also operates two regional systems supplied by potable water treated by the City of Saskatoon and the Buffalo Pound Water Treatment Plant.

Non-potable water is provided primarily to industrial customers in the areas surrounding Saskatoon, Buffalo Pound Lake and along the Saskatoon South East Water Supply system.

SaskWater currently owns and operates regional wastewater treatment facilities in Nipawin and Fort Qu'Appelle and a municipal wastewater facility serving Pierceland. SaskWater can address new demands for water and wastewater services from municipal customers through further:

- Development of service clusters for cost-effective delivery of services to customers.
- Implementation of proven treatment plant technologies that exceed regulatory requirements and ensure quality control is maintained.
- By ensuring the company has the people and the training to meet anticipated demand for services.

## Highlights

### Non-potable water

Non-potable water is primarily distributed to large industrial customers, especially in the potash mining sector. The decrease in volume of 19.6%, is primarily related to potash sector customers responding to global market conditions, and in particular the first quarter of 2019-20 was very strong. In addition, one mine was on a market related production shut down during the first quarter of 2020-21 and another mine had its production disrupted by a fire at its facilities. Non-potable water revenues are lower by 9.5%, reflecting the lower water demand, somewhat offset by contract obligations that come into force during periods of low water use.

### Potable water

Potable water volumes have decreased 0.6% in the three-month period ended June 30, 2020, compared to the same period in 2019-20. Potable water is primarily supplied to municipal customers. Seasonal fluctuations are more often noted during the first and second quarters and are influenced by temperature and precipitation and the resulting impact on such uses as lawn and garden watering. Water volumes within municipalities tend to be more stable during the third and fourth quarters of the year. The change in water consumption in the first three months of 2020-21 has likely been negatively impacted by a combination of heavy rainfall, especially in June, in several areas served by SaskWater and the impact of the COVID-19 pandemic on many businesses that were required to shut down for a period. This was offset by the addition of a new small city as a customer beginning January 1, 2020. Potable water revenues have increased largely as a result of adding the new city to the company's customer base, completion of a new water supply system replacing a facility at the end of its useful life in an existing customer community, supported by negotiated rate increases, and various other negotiated rate adjustments to improve the financial sustainability of a number of smaller systems.

### Services

Service revenues include certified operation and maintenance where SaskWater provides operator expertise to run customer owned facilities; project management which is largely related to pre-construction engineering services while project proponents complete their feasibility analysis; operator training support to 29 First Nations and northern project management which relates to engineering services to northern Saskatchewan communities primarily in conjunction with the Ministry of Government Relations.

Revenue from all services are down approximately 4.8% in 2020-21. This reflects a somewhat lower level of activity in northern project management, which is significantly impacted by the timing and availability of federal and provincial infrastructure grant programs.

### Other

Other revenue has decreased by approximately 13% in 2020-21, largely due to the impact of a one-time gain on sale of property in 2019-20 when SaskWater disposed of a property used for office and shop space that was no longer required, due to leasing more optimal space.

### Expenses

Expenses have decreased for the three-month period ended June 30, 2020, over the same period in 2019-20. Increases in salaries and benefits and amortization of property, plant, and equipment reflect new staff brought on to serve a new city and the completion of the new water supply system to replace a system at the end of its useful life in another community. These are offset by lower bulk water purchases reflecting lower potable water consumption and delays in some non-critical operations, maintenance and administration costs largely due to the COVID-19 pandemic.

### Net Finance Income (Expense)

Finance costs include debt servicing costs on funds borrowed to support investments and earnings on debt retirement funds that are set aside to retire capital market debts on their maturity. Net debt servicing costs are up approximately 4% year over year due to a slight decrease in finance income for the three-month period.

### Other Comprehensive Income

Other comprehensive income primarily consists of market value gains and losses on debt retirement funds, which are outside of management's control.



# Saskatchewan Water Corporation

## Statement of Financial Position

(unaudited - thousands of dollars)

	as at June 30, 2020	as at March 31, 2020	Change
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$ 1,669	\$ 1,912	\$ (243)
Trade and other receivables	11,453	9,023	2,430
Prepaid expenses and inventories	1,092	1,239	(147)
Current portion of deferred charges	13	13	-
	<u>14,227</u>	<u>12,187</u>	<u>2,040</u>
Deferred charges	265	268	(3)
Investment - debt retirement funds	12,547	11,410	1,137
Right-of-use assets	3,392	3,532	(140)
Property, plant and equipment	<u>344,385</u>	<u>344,610</u>	<u>(225)</u>
	<u>\$ 374,816</u>	<u>\$ 372,007</u>	<u>\$ 2,809</u>
<b>Liabilities and Province of Saskatchewan's Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	\$ 7,620	\$ 7,714	\$ (94)
Notes payable	13,000	10,994	2,006
Dividends payable	1,163	1,549	(386)
Current portion of deferred revenue	6,820	6,856	(36)
Current portion of provisions	195	169	26
Current portion of lease liabilities	688	608	80
Current portion of long-term debt	-	-	-
	<u>29,486</u>	<u>27,890</u>	<u>1,596</u>
Deferred revenue	186,899	187,812	(913)
Provisions	203	265	(62)
Lease liabilities	2,742	2,954	(212)
Long-term debt	76,393	76,393	-
Employee benefits	599	599	-
	<u>296,322</u>	<u>295,913</u>	<u>409</u>
<b>Province of Saskatchewan's Equity</b>			
Equity advance	8,700	8,700	-
Accumulated other comprehensive income (loss)	803	335	468
Retained earnings	<u>68,991</u>	<u>67,059</u>	<u>1,932</u>
	<u>78,494</u>	<u>76,094</u>	<u>2,400</u>
	<u>\$ 374,816</u>	<u>\$ 372,007</u>	<u>\$ 2,809</u>

# Saskatchewan Water Corporation

## Statement of Operations and Comprehensive Income

(unaudited - thousands of dollars)

	Three months ended June 30		
	2020	2019	Variance
<b>Revenue (Note 4)</b>			
Water sales and treatment	\$ 13,384	\$ 13,428	\$ (44)
Services	1,002	1,053	(51)
Other	1,873	2,158	(285)
	<u>16,259</u>	<u>16,639</u>	<u>(380)</u>
<b>Expenses</b>			
Salaries and benefits	3,540	3,264	(276)
Operations, maintenance, and administration	2,154	2,628	474
Amortization of property, plant and equipment	3,669	3,214	(455)
Bulk water purchases	3,000	3,343	343
Saskatchewan taxes	225	267	42
	<u>12,588</u>	<u>12,716</u>	<u>128</u>
<b>Operating income</b>	<u>3,671</u>	<u>3,923</u>	<u>(252)</u>
Finance income	85	106	(21)
Finance expense	(661)	(658)	(3)
<b>Net finance income (expense) (Note 5)</b>	<u>(576)</u>	<u>(552)</u>	<u>(24)</u>
<b>Net income (loss)</b>	<u>\$ 3,095</u>	<u>\$ 3,371</u>	<u>\$ (276)</u>
<b>Other comprehensive income (loss)</b>			
Debt retirement fund market value gains (losses)	468	350	118
<b>Total other comprehensive income (loss)</b>	<u>468</u>	<u>350</u>	<u>118</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 3,563</u>	<u>\$ 3,721</u>	<u>\$ (158)</u>

# Saskatchewan Water Corporation

## Statement of Cash Flows

(unaudited - thousands of dollars)

	<b>Three months ended June 30</b>	
	<b>June 30 2020</b>	<b>June 30 2019</b>
<b>Operating activities</b>		
Net income	\$ 3,095	\$ 3,371
Items not affecting cash from operations:		
Amortization of property, plant and equipment	3,669	3,214
Amortization of deferred revenue	(1,714)	(1,595)
Amortization of provisions - onerous contracts	(42)	(48)
Net financing (income) expense	576	552
Loss (gain) on disposal of property, plant and equipment	(93)	(443)
Change in non-cash working capital items:		
Trade and other receivables	(2,430)	(2,281)
Prepaid expenses and inventories	147	227
Trade and other payables	(6)	(1,280)
Deferred revenue	765	55
Interest paid	(707)	(720)
Interest received	3	16
<b>Cash provided by operating activities</b>	<b>3,263</b>	<b>1,068</b>
<b>Investing activities</b>		
(Addition) amortization of deferred charges	3	3
Additions to ROU assets	-	(192)
Property, plant and equipment expenditures	(3,359)	(4,090)
Proceeds on disposal of property, plant and equipment	131	825
<b>Cash used in investing activities</b>	<b>(3,225)</b>	<b>(3,454)</b>
<b>Financing activities</b>		
Additions to lease liabilities	-	192
Lease payments	(150)	(147)
Proceeds from (Repayments of) notes payable	2,006	6,013
Debt retirement fund installments	(588)	(588)
Dividends paid	(1,549)	(2,509)
<b>Cash provided by financing activities</b>	<b>(281)</b>	<b>2,961</b>
<b>Change in Cash</b>	<b>(243)</b>	<b>575</b>
<b>Cash, Beginning of Period</b>	<b>1,912</b>	<b>2,046</b>
<b>Cash, End of Period</b>	<b>\$ 1,669</b>	<b>\$ 2,621</b>



# Saskatchewan Water Corporation

## Statement of Changes in Equity

(unaudited - thousands of dollars)

	Three months ended June 30, 2020			
	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
<b>Balance, beginning of period</b>	\$ 8,700	\$ 335	\$ 67,059	\$ 76,094
Net income	-	-	3,095	3,095
Other comprehensive income (loss)	-	468	-	468
<b>Total comprehensive income (loss) for the period</b>	-	468	3,095	3,563
Dividends declared	-	-	(1,163)	(1,163)
<b>Balance, end of period</b>	\$ 8,700	\$ 803	\$ 68,991	\$ 78,494

	Three months ended June 30, 2019			
	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
<b>Balance, beginning of period</b>	8,700	(176)	59,138	67,662
Net income	-	-	3,371	3,371
Other comprehensive income (loss)	-	350	-	350
<b>Total comprehensive income (loss) for the period</b>	-	350	3,371	3,721
Dividends declared	-	-	(836)	(836)
<b>Balance, end of period</b>	\$ 8,700	\$ 174	\$ 61,673	\$ 70,547

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited

June 30, 2020

### 1. General Information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984 under the authority of The Water Corporation Act which remained in effect until December 31, 2002. On October 1, 2002 The Saskatchewan Water Corporation Act was proclaimed.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate works and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

### 2. Basis of Preparation

#### **a) Statement of compliance**

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The unaudited condensed interim financial statements (herein referred to as the interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Saskatchewan Water Corporation's March 31, 2020 audited financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB (IFRS). The accounting policies and methods of computation used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual financial statements and have been applied consistently to all periods presented in these interim financial statements except as discussed in the "Use of estimates and judgements" and the "New standards and amendments to standards" sections of this note.

The condensed interim financial statements were authorized for issue by the Board of Directors on August 25, 2020.

#### **b) Basis of measurement**

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These interim financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for at fair value through other comprehensive income.
- Provisions.
- Employee benefit obligations.

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited June 30, 2020

### 2. Basis of Preparation (continued)

#### **c) Interim measurement**

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SaskWater's sales to municipal customers are seasonal, with the first and second quarters being the strongest periods, reflecting hotter weather and higher outdoor water usage.

#### **d) Functional and presentation currency**

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These financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

#### **e) Fair value measurement**

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date under current market conditions (exit price). The Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 (Note 8) as defined below:

- Level 1 - Fair Values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.
- Level 2 - Fair Values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance. In all other circumstances, valuations are determined with reference to similar actively traded instruments. All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements.
- Level 3 - Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

#### **f) Use of estimates and judgments**

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The preparation of these interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies are:

- Valuation of trade and other receivables
- Underlying estimates of useful lives and amortization of property, plant and equipment
- Underlying estimates of deferred revenue and infrastructure deposits
- Carrying amounts of provisions and underlying estimates of future cash flows
- Carrying amounts of employee benefits and underlying actuarial assumptions
- Underlying estimates for future commitments and contingencies

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited June 30, 2020

### 3. Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's March 31, 2020 audited financial statements.

#### **a) Leases**

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At the inception of a contract, the Corporation determines whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *As a lessee*

On initial identification of a lease contract, the Corporation recognizes a ROU asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the Corporation uses its incremental borrowing rate. Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate, the exercise price of a purchase option or optional renewal period that the Corporation is reasonably certain to exercise, and penalties for early termination of a lease contract unless the Corporation is reasonably certain not to terminate early. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. The lease liability is re-measured to reflect any reassessments or lease modifications. Lease payments are allocated between the principal repayment of the lease liability and finance expense. The finance expense on the lease liability is charged to net income over the term of the lease contract to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The ROU asset is initially measured at cost, which includes the initial lease liability, any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs and restoration costs. The ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the remaining term of lease contract. The ROU assets are subsequently re-measured to reflect any reassessments or lease modifications.

The Corporation has elected not to recognize ROU assets and lease liabilities for lease contracts where the total term of the lease is less than or equal to 12 months or for low value lease contracts. The Corporation recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term. These payments are presented within Operations, maintenance, and administration expense in net income.

##### *As a lessor*

On initial identification of a lease contract, the Corporation determines whether the contract is a finance lease or an operating lease. If a contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer, then the contract is classified as a finance lease; otherwise, it is classified as an operating lease. Finance income related to finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term. Lease payments received by the Corporation under operating leases are recognized as lease revenue within other revenue on a straight-line basis over the lease term.

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited

June 30, 2020

### 3. Significant Accounting Policies (continued)

#### a) Leases (continued)

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The Corporation applies judgment in determination of the lease term for certain lease contracts with renewal options. The assessment of whether the Corporation is reasonable certain to exercise such options impacts the lease term, which could significantly affect the amount of lease liabilities and right of use assets recorded on the initial recognition of the lease contract.

#### b) Deferred revenue

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##### *Government grants*

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset. There is no change in policy for revenue recognition of government grants as a result of the implementation of IFRS 15.

##### *Customer contributions*

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction these amounts are recorded as infrastructure deposits. As construction occurs these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable performance obligation, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services performance obligation, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or automatically continues in effect after an initial term, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service. There is no change in policy for revenue recognition of customer contributions as a result of the implementation of IFRS 15.

#### c) Contract assets and liabilities

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The Corporation recognizes a contract asset or contract liability for the contracts where either party has performed. A contract liability is recorded when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation has rights to consideration for the completion of a performance obligation when that right is conditional on something other than the passage of time. The Corporation recognizes unconditional rights to consideration separately as a receivable. Contract assets and receivables are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited

June 30, 2020

### 4. Revenue

	Three months ended June 30	
	2020	2019
	(Thousands)	
<b>Water sales and treatment</b>		
Potable water supply	\$ 7,672	\$ 7,138
Non-Potable water supply	5,540	6,127
Wastewater treatment	172	163
	<u>13,384</u>	<u>13,428</u>
<b>Services</b>		
Certified operations & maintenance	641	589
Project management	2	-
Northern project management	139	249
Operator training	205	207
Leak detection	-	3
ROAM	15	5
	<u>1,002</u>	<u>1,053</u>
<b>Other</b>		
Amortization of customer contributions	1,552	1,542
Amortization of government grants - capital related	153	53
Miscellaneous revenue	168	563
	<u>1,873</u>	<u>2,158</u>
	<u>\$ 16,259</u>	<u>\$ 16,639</u>

### 5. Finance income and expenses

	Three months ended June 30	
	2020	2019
	(Thousands)	
<b>Finance income</b>		
Debt retirement fund earnings	\$ 82	\$ 84
Other finance income	3	22
	<u>85</u>	<u>106</u>
<b>Finance expenses</b>		
Interest expense on short-term debt	-	13
Interest expense on long-term debt	620	610
Unwinding of discounts	28	32
Other interest expense	-	-
Amortization of Discounts (Premiums) and Commissions	13	3
	<u>661</u>	<u>658</u>
Net finance expense	<u>\$ (576)</u>	<u>\$ (552)</u>

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited June 30, 2020

### 6. Equity Advance and Capital Disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a \$30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	(Thousands)	
Gross long-term debt	\$ 76,393	\$ 76,393
Notes payable	13,000	10,994
Debt retirement funds	(12,547)	(11,410)
Net debt	76,846	75,977
Total equity	78,494	76,094
Capitalization	\$ 155,340	\$ 152,071
Debt ratio	49.5%	50.0%

The Corporation has complied with all externally imposed restrictions on its debt for the period ended June 30, 2020.

### 7. Commitments and Contingencies

#### **a) Contractual commitments (Thousands)**

As of June 30, 2020, the Corporation has outstanding commitments of \$13,409 (March 31, 2020 - \$15,836) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited June 30, 2020

### 8. Financial instruments

#### a) Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

	Classification <sup>1</sup>	Level <sup>2</sup>	June 30, 2020		March 31, 2020		
			Carrying Amount	Fair Value	Carrying Amount	Fair Value	
			(Thousands)		(Thousands)		
<b>Financial assets</b>							
Cash	FVTPL	1	\$ 1,669	\$ 1,669	\$ 1,912	\$ 1,912	
Trade and other receivables	AC	N/A	11,453	11,453	9,023	9,023	
Debt retirement funds	FVOCI	2	12,547	12,547	11,410	11,410	
<b>Financial liabilities</b>							
Trade and other payables	OL	N/A	(7,620)	(7,620)	(7,714)	(7,714)	
Notes payable	OL	N/A	(13,000)	(13,000)	(10,994)	(10,994)	
Dividends payable	OL	N/A	(1,163)	(1,163)	(1,549)	(1,549)	
Infrastructure deposits	OL	N/A	-	-	-	-	
Long-term debt	OL	2	(76,393)	(88,419)	(76,393)	(81,115)	

<sup>1</sup>Classification details are as follows:

FVTPL - Fair value through profit and loss

AC - Amortized cost

FVOCI - Fair value through other comprehensive income (loss)

OL - Other liabilities

### 8. Financial instruments (continued)

#### a) Fair values (continued)

<sup>2</sup>Level details are as follows:

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

Level 3 – Valuation for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments that are carried at values which approximate fair value.



# Saskatchewan Water Corporation

## Notes to the Financial Statements - unaudited June 30, 2020

### 9. Leases

#### a) ROU assets

Cost	Buildings	Vehicles	Equipment	Total
	(Thousands)			
Opening balance, April 1, 2020	\$ 3,017	\$ 969	\$ 90	\$ 4,076
Additions	-	-	-	-
Disposals	-	-	(5)	(5)
<b>Balance at June 30, 2020</b>	<b>\$ 3,017</b>	<b>\$ 969</b>	<b>\$ 85</b>	<b>\$ 4,071</b>

#### Depreciation

Opening balance, April 1, 2020	\$ 293	\$ 216	\$ 35	\$ 544
Amortization	73	55	9	137
Disposals	-	-	(2)	(2)
<b>Balance at June 30, 2020</b>	<b>\$ 366</b>	<b>\$ 271</b>	<b>\$ 42</b>	<b>\$ 679</b>

#### Carrying amounts

Opening balance, April 1, 2020	\$ 2,724	\$ 753	\$ 55	\$ 3,532
<b>Balance at June 30, 2020</b>	<b>\$ 2,651</b>	<b>\$ 698</b>	<b>\$ 43</b>	<b>\$ 3,392</b>

#### b) Lease liabilities

	Buildings	Vehicles	Equipment	Total
	(Thousands)			
Opening balance, April 1, 2019	\$ 2,751	\$ 756	\$ 55	\$ 3,562
Additions	-	-	-	-
Disposals	-	-	(3)	(3)
Lease payments	(83)	(58)	(9)	(150)
Unwind of discount	17	4	-	21
<b>Balance at June 30, 2020</b>	<b>\$ 2,685</b>	<b>\$ 702</b>	<b>\$ 43</b>	<b>\$ 3,430</b>

#### c) Amortization expense

	Three months ended June 30	
	2020	2019
	(Thousands)	
Amortization of PP&E	\$ 3,532	\$ 3,080
Amortization of ROU assets	137	134
<b>Total</b>	<b>\$ 3,669</b>	<b>\$ 3,255</b>

#### d) Short term leases

The expense recorded for short term leases was \$5,117 for the three month period ended June 30, 2020.